

SO ORDERED.

SIGNED this 8th day of May, 2024.




LENA MANSORI JAMES
UNITED STATES BANKRUPTCY JUDGE

**UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
GREENSBORO DIVISION**

IN RE:)	
)	
Chadley Capital, LLC,)	Case No. 24-10170
)	
Debtor.)	Involuntary Chapter 7

ORDER

**FINDING WILLIAM RHEW, III IN CONTEMPT OF THIS COURT’S TURNOVER ORDER,
CONDITIONALLY DIRECTING APPREHENSION AND DETENTION OF WILLIAM RHEW, III,
AND CONTINUING SHOW CAUSE HEARING**

This matter came before the Court on May 8, 2024 for a hearing directing William Rhew, III to show cause as to why he should not be held in continuing contempt of this Court’s Order Granting Motion for Turnover (Docket No. 33, the “Turnover Order”) and subject to additional sanctions, including but not limited to coercive incarceration by the United States Marshal Service. (Docket No. 45, the “Contempt Order”). On April 25, 2024, after a hearing at which Rhew did not appear as directed, the Court found Rhew in civil contempt of the Turnover Order as well as the Court’s initial order directing Rhew to show cause as to why he should not be sanctioned. (Docket No. 37). As a remedy, the Court imposed a coercive daily fine of \$500 and required that Rhew compensate the Trustee for his attorney’s

fees and costs associated with Rhew's noncompliance. The Court also explicitly warned Rhew that if he did not comply with the Turnover Order by 2:00 p.m. on May 8, 2024, or otherwise show cause as to why he could not at the hearing scheduled for that date and time, the Court would issue an order and warrant for Rhew's arrest directing the United States Marshal Service to take him into custody and hold him until such time as he purges his contempt.

The Court held the hearing as scheduled on May 8, 2024 in Winston-Salem, North Carolina. Robert Price, Assistant Bankruptcy Administrator, was present at the hearing as well as Brian Anderson, the chapter 7 trustee for this case (the "Trustee"). Rhew and his counsel, Joshua Bennett, also appeared at the hearing. Rhew provided testimony as to his attempted compliance to date with the Turnover Order. Although Rhew delivered some responsive documents and materials, the Court finds – and Rhew himself concedes – that he has not yet complied and remains in civil contempt of this Court's Turnover Order

Based on the record of this case and Rhew's testimony, the Court finds Rhew has continuously delayed or evaded his responsibility to comply with the Turnover Order and to cooperate with the Trustee in the administration of this case. Accordingly, the Court finds that Rhew remains in civil contempt for his failure to comply with the Turnover Order, specifically his obligation to deliver to the Trustee: (a) any and all cryptocurrency wallets, hard drives, USB drives, computers, tablets and phones; and (b) any and all information necessary to take control of and access the cryptocurrency accounts, contents of the aforementioned property, and other electronic records of the Debtor including, but not limited to, passphrases, seed phrases, personal identification numbers, usernames, and passwords. (Docket No. 33, par. 2). Rhew's pledge to cooperate with the Trustee and his testimony that he will meet with the Trustee on Thursday May 9, 2024 and Friday May 10, 2024, to deliver the Debtor's remaining physical assets and all cryptocurrency information, are sufficient cause to continue this show cause hearing to May 16, 2024, at the United States Bankruptcy Court in Greensboro, North Carolina. However, because the Court's imposition of compensatory sanctions, daily fines, and the threat of

incarceration have not proven successful at coercing Rhew's compliance, the Court finds that any further obstinance or noncompliance on the part of Rhew warrants coercive incarceration for civil contempt. **Therefore, if Rhew does not meet with the Trustee as scheduled on Thursday May 9 or Friday May 10, 2024, the Court will direct the United States Marshal Service to arrest and detain Rhew until he complies with the Turnover Order or shows cause as to why he is unable to do so.** See *Int'l Union, United Mine Workers of Am. v. Bagwell*, 512 U.S. 821, 828-29 (1994); *Lawrence v. Goldberg (In re Lawrence)*, 279 F.3d 1294, 1297 (11th Cir. 2002); *In re CTLL, LLC*, 528 B.R. 359, 379 (Bankr. S.D. Tex. 2015); *In re 1990's Caterers Ltd.*, 531 B.R. 309, 321 (Bankr. E.D.N.Y. 2015); *In re Vaso Active Pharms., Inc.*, 514 B.R. 416, 426 (Bankr. D. Del. 2014).

For the foregoing reasons, IT IS HEREBY ORDERED as follows:

1. This show cause hearing is continued to Thursday May 16, 2024 at 9:30 a.m. EST in Courtroom 2 of the United States Bankruptcy Court, 101 S. Edgeworth St., Greensboro, North Carolina 27401.
2. The Court will continue to impose the coercive daily fine of \$500 per day until Rhew has complied with the Turnover Order, which is to be paid to the Clerk of Court for the United States Bankruptcy Court for the Middle District of North Carolina. (Docket No. 45).
3. If William Rhew III does not attend the scheduled meetings with the Trustee on Thursday May 9 or Friday May 10, 2024, then the Trustee shall promptly file a declaration attesting to Rhew's non-compliance. Upon such filing, the Court will enter an order and issue a warrant directing the United States Marshal Service to arrest and detain Rhew until he complies with the Turnover Order or shows cause as to why he is unable to do so.

END OF DOCUMENT

PARTIES TO BE SERVED

Chadley Capital LLC

Case No. 24-10170

John Paul Hughes Cournoyer, Bankruptcy Administrator
via cm/ecf

Brian Richard Anderson, Trustee
via cm/ecf

Robert A. Cox, Jr. on behalf of Petitioning Creditors
via cm/ecf

James R. Irving on behalf of Petitioning Creditors
via cm/ecf

Chadley Capital LLC
Attn: William Rhew, III
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